

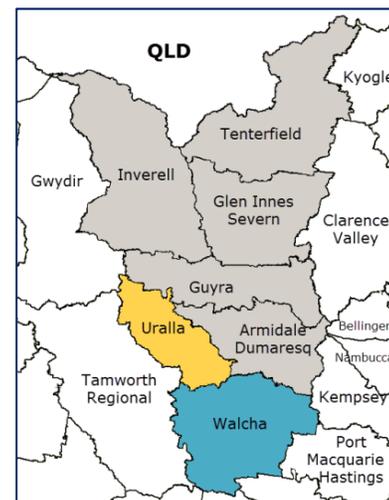
WALCHA SHIRE COUNCIL – RURAL COUNCIL PROPOSAL

NOT FIT

Area (km ²)	6,261	Population 2011	3,100
OLG Group	9	(2031)	2,750
ILGRP Group	B	Merger 2011	9,350
		(2031)	9,300
Operating revenue (2013-14)	\$8.8m	TCorp assessment	Weak FSR Negative Outlook

ILGRP options (preference in bold) **Merge with Uralla** or stand alone as Rural Council in New England JO (shaded area).

Assessment summary	Scale and capacity	Does not satisfy
	Financial criteria:	Satisfies overall
	• Sustainability	Satisfies
	• Infrastructure and service management	Satisfies
	• Efficiency	Satisfies



Fit for the Future – NOT FIT

- The council does not satisfy the scale and capacity criterion.
- The council satisfies the financial criteria overall. It satisfies the sustainability, infrastructure and service management and efficiency criteria.
- Scale and capacity is a threshold criterion which councils must satisfy to be Fit for the Future (FFTF), therefore the council is not fit.

Scale and capacity – does not satisfy

- The council was required to consider the ILGRP preferred option and demonstrate its proposal is at least as good to achieve the scale and capacity objectives for the region.
- The council's Rural Council Proposal is not as good as the ILGRP's preferred option to merge with Uralla. When compared to the merger, the council's small and declining population of 2,750 in 2031 means it is unlikely to cost-effectively provide services to the local communities and advocate and partner with government.
- Most of the efficiency strategies proposed by the council could be realised in addition to the merger gains under the merger alternative.
- Our analysis indicates the merger is a better outcome for managing strategic issues in the region. The merger is also likely to further promote closer economic and social ties between the two councils.

Sustainability – satisfies

- The council satisfies the criterion for sustainability based on meeting the benchmark for the operating performance ratio by 2024-25 and the building and infrastructure asset renewal and own source revenue ratios by 2019-20.
- In its proposal, the council relies on the successful application for and adoption of a permanent special variation from 2016-17 of 15.6% cumulative over 2 years (10.5% above the rate peg).
- The council has also altered its approach to asset management, which has resulted in a large reduction in depreciation.

Infrastructure and service management - satisfies

- The council satisfies the criterion for infrastructure and service management based on meeting the benchmarks for the asset maintenance and debt service ratios by 2019-20.
- The council's infrastructure backlog was 10% in 2014-15 and is forecast to reach 7% in 2017-18 and remain steady at this level until 2019-20. The council plans to reduce its infrastructure backlog through a combination of asset renewals and funding required asset maintenance. However, it is unlikely the council will reach the benchmark of 2% based on its own projections to 2024-25.

Efficiency - satisfies

- The council satisfies the criterion for efficiency based on a decline in real operating expenditure over the period to 2019-20.

Other relevant factors

Social and community context	The major town in the council is Walcha, which is home to about 50% of the council's population. Walcha is largely tied to agriculture and timber plantations. There are conflicting views from previous independent reports for government by Vardon in 2003 (and subsequently referred to the Boundaries Commission) and Kibble in 2010 about Walcha's communities of interest, with the latter report by Kibble rejecting the former report's view that Walcha should amalgamate with Armidale, Uralla and Guyra. Walcha appears to be largely self-reliant, with both Tamworth and Armidale providing regional centre services. Further, Walcha services border towns within Tamworth. However, Walcha does have functional relationships with Uralla and shares or is proposing to share resources, eg, a Ranger was hired in 2015 and there are plans to hire a strategic planner by 2016.
Community consultation	Walcha Council consulted its community and other special interest groups (eg, NSW Farmers) to formulate the Council's position. Walcha Council undertook a community survey, general public meetings and information sessions aimed at informing the community on the FFTF process, the council's current position (to stand alone) and obtain community preferences. The council's presentation to the community does not clearly explain the costs and benefits of the alternative options and concentrates on the council's performance relative to the financial benchmarks and its infrastructure challenges. The community survey showed strong support for the council to stand alone at 84%, along with support to reduce the number of councillors and wards. However, the survey also showed that 57% of survey respondent were not in favour of higher rates to pay for improved infrastructure.
Water and/or sewer	Walcha Council provides water and sewerage services to its community, and according to the council also provides critical mass and assists its ability to function and attract staff. The council's water and sewer business achieves 79% compliance in implementing best practice management. Further, Walcha notes it manages its operations on a break-even basis. The council's current water and sewer infrastructure backlog is \$1.3m, but no further information is provided about the backlog.
Submissions	We received 18 submissions for Walcha Shire Council's proposal. All submissions supported the council's proposal and were against a merger with Uralla Shire Council. The key themes included a loss of local focus and identity, less representation, a reduction in services or facilities. Further, some submitters noted the council is performing well, and there is no evidence residents would be better off under the proposed merger.
